

CITY OF TAMA, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2004**

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CITY OF TAMA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Bearden	Mayor	January 2008
Robert Tynismaa	Council Member	January 2008
Don Rank	Council Member	January 2006
Steve Baier	Council Member	January 2008
Kenny McAdoo	Council Member	January 2008
Earl Rutledge	Council Member	January 2006
Judy Welch	City Clerk	Indefinite
Dan Rathjen	City Attorney	Indefinite

CITY OF TAMA

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Tama, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information, of the City of Tama, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of the City of Tama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tama as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2004, on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2003, 2002, and 2001 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 19, 2004

CITY OF TAMA

Management's Discussion and Analysis

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The sale of the city owned meatpacking plant in the amount of \$2,500,000 and receiving a grant for the meatpacking plant in the amount of \$500,000 in FY 2003 set a one time significant decrease in revenue from FY 2003 to FY 2004. Keeping this in mind the decrease in revenue overall from FY 2003 to FY 2004 was \$2,820,216 or 55.4%. If the major sale and grant fund would not have occurred revenues would have shown an increase of 8.6% or approximately \$179,784 from FY 2003 to FY 2004.
- Total disbursements increased 15.7% or \$386,396 in FY 2004 from FY 2003. However, \$500,000 in FY 2003 was for the grant funds received and expended to the meatpacking plant from the State. If the \$500,000 had not occurred in FY 2003 an increase in disbursements for FY 2004 would show an increase of \$886,396 or 45.2%. Increases were in every governmental activity and in the business type activity of water. The business type activity of sewer showed the only decrease.
- The City's total cash basis net assets decreased 21.4% or approximately \$708,824 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$708,786 and the assets of the business type activities decreased \$38.
- The City provided infrastructure of water, sewer, curb, gutters and paving for two new streets in the City providing additional selling of residential lots which is owned by the City.
- The City of Tama joined with the local medical clinic to help purchase a building in downtown Tama for medical services.
- The City of Tama joined with the City of Toledo to construct a new aquatic center with fiscal year 2004 being the beginning year for the feasibility study and engineering.

CITY OF TAMA

Management's Discussion and Analysis

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement:

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

CITY OF TAMA

Management's Discussion and Analysis

REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants, investment interest and charges for services finance most of these activities.
2. Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements:

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3,614,144 to \$2,905,358. The analysis that follows focuses on the changes in cash balances for governmental activities.

CITY OF TAMA

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Cash Basis Net Assets of Governmental Activities:

Receipts and transfers:

General receipts:

Property tax	\$ 669,969
Tax increment financing	14,471
Other city tax	26,845
Local option tax	106,531
Unrestricted investment earnings	102,818
Other general receipts	25,049
Other financing sources	35,273
Charges for service	177,892
Operating grants, contributions	353,285
Capital grants, contributions and restricted interest	<u>117,278</u>

Total receipts and transfers 1,629,411

Disbursements:

Public safety	501,974
Public works	530,715
Health and social services	4,814
Culture and recreation	176,179
Community and economic development	22,028
General government	124,930
Debt service	178,885
Capital projects	<u>798,672</u>

Total disbursements 2,338,197

Decrease in cash basis net assets (708,786)

Cash basis net assets beginning of year 3,614,144

Cash basis net assets end of year \$2,905,358

CITY OF TAMA

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total receipts for governmental activities increased by 9.4% or \$135,999 for FY 2004. The increase in revenue is due to the collection of Local Option Tax for the use of the new aquatic center, selling of radio stock that the city had owned and interest from the selling of real estate in FY 2003. In FY 2003 the city sold the meatpacking plant, which the revenue of \$2,500,000 was not figured in the comparison of the receipts. Also in FY 2003 the revenue of \$500,000 received by the City from the State for a grant to the meatpacking plant was not figured in the receipt comparison. The \$500,000 was a pass through grant to us and then onto the new owners of the meatpacking plant. By not using these two figures the comparison of the two years give a clearer picture of actual receipts and disbursements in governmental activities. In FY 2004 the city received another \$45,000 grant to be passed through to a new local business in the city and this amount too is not figured with the increase of revenue or expense for FY 2004.

The total disbursement cost of all programs and services for governmental activities increased by 69.4% or \$939,532 for fiscal year 2004. This large increase is due to the fact the city used cash balances to provide infrastructure of water, sewer, and streets to a new developing section of the city, paved with curb and gutter, several blocks of graveled streets, and invested in the local medical clinic in order for a physician to be located downtown.

The ending cash balances for fiscal year 2004 for governmental activities indicates a decrease in cash balances by \$708,786. The above paragraph explains the reasoning for the decrease.

The City decreased property taxes by \$.03 per \$1,000 of property value for fiscal year 2004 or less than 1%. Valuation stayed approximately the same between fiscal year 2003 and fiscal year 2004. Knowing that the sale of the meatpacking plant would generate a fair sum of investment interest, part of the interest was used to lower the property tax rate.

Changes in Cash Basis Net Assets of Business Type Activities:

Receipts:

Program receipts:

Charges for services:

Water	\$ 223,550
Sewer	228,553
Sewer revenue bond	139,344
Operating grants, contributions, and interest	10,044
Other general receipts	<u>46,530</u>

Total receipts	<u>648,021</u>
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CITY OF TAMA

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Cash Basis Net Assets of Business Type Activities (continued):

Disbursements:	
Water	280,436
Sewer	228,284
Sewer revenue bond	<u>139,338</u>
Total disbursements	<u>648,058</u>
Decrease in cash balance	(37)
Cash basis net assets beginning of year	<u>400,742</u>
Cash basis net assets end of year	<u>\$ 400,705</u>

Total business type activities receipts for fiscal year 2004 were \$648,201 compared to \$629,079 last year. This increase in revenue of \$18,942 is due to the opening of the beef packing plant and using our water service and the approved 2% a year increase in the water rate. Disbursements in fiscal year 2004 totaled \$648,058 where the disbursements last year were \$606,856, an increase of \$41,202. This increase came from painting the interior of the water tower.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year, its governmental funds reported a combined fund balance of \$2,905,358, a decrease of more than \$700,000 below last year's total of \$3,614,144. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$26,766 from the prior year to \$256,237. The decrease is largely due to the fact street lights were expended for the general fund in fiscal year 2004. The revenue from population allocation from the State was not received in fiscal year 2004, which accounted for \$37,000 worth of State revenue last year. Investment interest from previous real estate sales helped the city survive this decrease. This investment interest revenue was redirected to help our general fund, which in turn decreased the funds available for capital projects.
- The Road Use Tax Fund cash balance decreased by \$97,751 to \$172,099 during the fiscal year. Expenditures from cash balances in fiscal year 2004 supported new streets and paving graveled roads in the city.

CITY OF TAMA

Management's Discussion and Analysis

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (CONTINUED)

- The Capital Project Cash Fund includes cash balances from Capital Projects, Capital Projects - Community Development, Meat Pack Funds and the Aquatic Center Fund. At the end of the fiscal year, the cash balance was \$2,324,216, a decrease of \$532,326 from the previous year. The decrease in cash balances stems from the expenditures to begin the process of building a new aquatic center, and infrastructure projects previously mentioned.
- The Trust and Agency Fund cash balance decreased by \$47,944 to \$77,194 during the fiscal year. The decrease is due primarily to purchasing a new ambulance, which part of the funding was expended from the Ambulance Trust Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$17,303 to \$73,353. The cash balance helped support the painting of the exterior of the water tower. The Water Fund supports the contracting of water services with Veolia Water.

The Sewer Fund cash balances demonstrated a slight increase in cash balances from last year. The Sewer Fund cash balances include: Regular minor sewer expenses and the cost of contracting the sewer utility with Veolia Water; Sewer Rehabilitation Fund to repair sewer mains; Sewer Replacement Fund to fund major repairs to the sewer plant and the Sewer Revenue Bond Fund for the State Revolving Fund Loan. The Sewer Fund cash balance increased by \$17,265 to \$327,352, due primarily to having only one revenue bond issue to pay instead of the two the city was paying in fiscal year 2003. In fiscal year 2003, revenue was being set aside for sewer rehabilitation and sewer replacement in the amount of \$30,000 a year. Since the city is now paying only on one revenue bond issue, the revenue set-aside for fiscal year 2004 in the sewer rehabilitation and replacement funds increased to \$50,000 for the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended the budget twice. October 6, 2003 the City amended the budget to increase expenditures for the infrastructure projects in the new street addition; preliminary fees for the aquatic center project and State grant funds being received and expended to a local business. Budgeted revenue was also increased due to the new local option tax. Revenues were increased by \$236,000 and expenses by \$706,100. The second amendment was approved on May 17, 2004 increasing revenues by \$72,024 and expenses by \$242,453. Revenues were increased due to street assessment revenue and sale of assets. Expenditures were increased due to engineering of the aquatic center, fire equipment, band shelter improvements and continuing infrastructure for the new street addition. The City's cash balances were able to handle the additional expenses.

CITY OF TAMA

Management's Discussion and Analysis

DEBT ADMINISTRATION

As of June 30, 2004, the City of Tama had \$1,418,000 in bonds compared to \$1,657,000 at the end of June of 2003. The General Obligation issue being paid in full at the end of 2003 provided a less tax obligation to the citizens with only two bond issues remaining for general obligation. By June of 2006 the two Flood Control bond issues will all be paid in full. The Sewer Rev. Bond issue will continue until June of 2014. Additional debt will be forthcoming in the next year with the construction of the new aquatic center.

Outstanding Debt As Of:

	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Flood control, \$515,000, issued March 1993	\$ 115,000	\$ 170,000
Flood control, \$575,000, issued March 1991	135,000	195,000
General obligation, \$300,000, issued March 1994	-	40,000
Sewer revenue bond, \$1,784,000, issued December 1995	<u>1,168,000</u>	<u>1,252,000</u>
Total	<u>\$1,418,000</u>	<u>\$1,657,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$250,000 is significantly below its constitutional debt limit of \$3,713,394.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Tama's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, and tax rates. With taxable valuations down by \$1.3 million the city has looked to other sources of income. By paying for street lights out of road use tax that helped the city's general fund by \$54,000. However, using funds in road use tax to support streets limits the purchase of street equipment or surfacing a graveled street. With the loss of state funding we again looked to our investment interest to help support the general fund. The City Council did raise the tax rate by \$.29 per thousand in order to fund employee benefits. The City of Tama looks for a bright fiscal year 2005 even with tax valuations lower, as the beef packing plant did re-open, bringing more people to the community. The city has purchased a section of undeveloped subdivision hoping to sell lots at a very reasonable rate in order to boost housing. The joint effort of Tama and the City of Toledo to build a 3 million dollar pool is quite an undertaking and will be accomplished with local option tax and donations throughout the community.

CITY OF TAMA

Management's Discussion and Analysis

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Welch, City Clerk, 305 Siegel Street, Tama, Iowa 52339.

BASIC FINANCIAL STATEMENTS

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	<u>Charges for Services</u>
Governmental activities:		
Public safety	\$ 501,974	\$ 124,068
Public works	530,715	19,442
Health and social services	4,814	-
Culture and recreation	176,179	12,370
Community and economic development	22,028	-
General government	124,930	22,012
Debt service	178,885	-
Capital projects	<u>798,672</u>	<u>-</u>
Total governmental activities	<u>2,338,197</u>	<u>177,892</u>
Business type activities:		
Water	280,436	262,709
Sewer	<u>367,622</u>	<u>375,268</u>
Total business type activities	<u>648,058</u>	<u>637,977</u>
Total	<u>\$ 2,986,255</u>	<u>\$ 815,869</u>
GENERAL RECEIPTS:		
Property taxes levied for:		
General purposes		
Employee benefits		
Tax increment financing		
Debt service		
Other city tax		
Local option sales tax		
Grants and contributions not restricted to specific purposes		
Unrestricted interest on investments		
Miscellaneous		
Sale of assets		
Total general receipts		

Exhibit A

<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 104,446	\$ -	\$ (273,460)	\$ -	\$ (273,460)
230,849	-	(280,424)	-	(280,424)
-	-	(4,814)	-	(4,814)
16,919	-	(146,890)	-	(146,890)
-	-	(22,028)	-	(22,028)
1,071	-	(101,847)	-	(101,847)
-	-	(178,885)	-	(178,885)
-	117,278	(681,394)	-	(681,394)
<u>353,285</u>	<u>117,278</u>	<u>(1,689,742)</u>	<u>-</u>	<u>(1,689,742)</u>
424	-	-	(17,303)	(17,303)
<u>9,620</u>	<u>-</u>	<u>-</u>	<u>17,266</u>	<u>17,266</u>
<u>10,044</u>	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
<u>\$ 363,329</u>	<u>\$ 117,278</u>	<u>\$ (1,689,742)</u>	<u>\$ (37)</u>	<u>\$ (1,689,779)</u>
		412,184	-	412,184
		123,298	-	123,298
		14,471	-	14,471
		134,487	-	134,487
		26,845	-	26,845
		106,530	-	106,530
		3,024	-	3,024
		102,817	-	102,817
		22,027	-	22,027
		<u>35,273</u>	<u>-</u>	<u>35,273</u>
		<u>980,956</u>	<u>-</u>	<u>980,956</u>

(continued)

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

	<u>Disbursements</u>	<u>Charges for Services</u>
CHANGE IN CASH BASIS NET ASSETS		
CASH BASIS NET ASSETS, BEGINNING		
CASH BASIS NET ASSETS, ENDING		
CASH BASIS IN NET ASSETS:		
Restricted:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

Exhibit A

<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
		(708,786)	(37)	(708,823)
		<u>3,614,144</u>	<u>400,742</u>	<u>4,014,886</u>
		<u>\$ 2,905,358</u>	<u>\$ 400,705</u>	<u>\$ 3,306,063</u>
		\$ 172,099	\$ -	\$ 172,099
		13	-	13
		19,226	148,224	167,450
		-	142,135	142,135
		<u>2,714,020</u>	<u>110,346</u>	<u>2,824,366</u>
		<u>\$ 2,905,358</u>	<u>\$ 400,705</u>	<u>\$ 3,306,063</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2004

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$ 412,184	\$ -	\$ 134,487
Tax increment financing collections	-	-	-
Other city tax	16,578	-	5,301
Licenses and permits	19,788	-	-
Use of money and property	62,842	-	40,00
Intergovernmental	43,959	227,458	-
Charges for services	184,486	-	-
Miscellaneous	<u>45,096</u>	<u>-</u>	<u>-</u>
Total receipts	<u>784,933</u>	<u>227,458</u>	<u>179,788</u>
DISBURSEMENTS:			
Operating:			
Public safety	489,120	-	-
Public works	205,506	325,209	-
Health and social services	4,814	-	-
Culture and recreation	161,354	-	-
Community and economic development	22,028	-	-
General government	124,383	-	-
Debt services	-	-	178,885
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>1,007,205</u>	<u>325,209</u>	<u>178,855</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(222,272)</u>	<u>(97,751)</u>	<u>903</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	195,506	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>195,506</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	(26,766)	(97,751)	903
CASH BALANCES, BEGINNING OF YEAR	<u>283,003</u>	<u>269,850</u>	<u>18,323</u>
CASH BALANCES, END OF YEAR	<u>\$ 256,237</u>	<u>\$ 172,099</u>	<u>\$ 19,226</u>

Exhibit B

Capital Projects		Other Nonmajor Governmental Funds	
<u>Capital Projects</u>	<u>Pack</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 123,298	\$ 669,969
14,471	-	-	14,471
-	-	111,497	133,376
-	-	-	19,788
916	-	2,485	106,243
-	-	-	271,417
-	-	-	184,486
<u>76,772</u>	<u>-</u>	<u>107,793</u>	<u>229,661</u>
<u>92,159</u>	<u>-</u>	<u>345,073</u>	<u>1,629,411</u>
-	-	12,854	501,974
-	-	-	530,715
-	-	-	4,814
-	-	14,825	176,179
-	-	-	22,028
-	-	547	124,930
-	-	-	178,885
<u>659,162</u>	<u>-</u>	<u>139,510</u>	<u>798,672</u>
<u>659,162</u>	<u>-</u>	<u>167,736</u>	<u>2,338,197</u>
<u>(567,003)</u>	<u>-</u>	<u>177,337</u>	<u>(708,786)</u>
628,855	-	33,000	857,361
<u>(59,175)</u>	<u>(611,855)</u>	<u>(186,331)</u>	<u>(857,361)</u>
<u>569,680</u>	<u>(611,855)</u>	<u>(153,331)</u>	<u>-</u>
2,677	(611,855)	24,006	(708,786)
<u>31,501</u>	<u>2,788,093</u>	<u>223,374</u>	<u>3,614,144</u>
<u>\$ 34,178</u>	<u>\$ 2,176,238</u>	<u>\$ 247,380</u>	<u>\$ 2,905,358</u>

(continued)

CITY OF TAMA

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Governmental Funds**

As of and for the year ended June 30, 2004

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service	\$ -	\$ -	\$ 19,226
Unreserved:			
General	256,237	-	-
Special revenue funds	-	172,099	-
Capital project funds	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total cash basis fund balances	<u>\$ 256,237</u>	<u>\$ 172,099</u>	<u>\$ 19,226</u>

Exhibit B

<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>		<u>Total</u>
<u>Capital Projects</u>	<u>Pack</u>			
\$ -	\$ -	\$ -		\$ 19,226
-	-	-		256,237
-	-	81,403		253,502
34,178	2,176,238	113,802		2,324,218
<u>-</u>	<u>-</u>	<u>52,175</u>		<u>52,175</u>
<u>\$ 34,178</u>	<u>\$ 2,176,238</u>	<u>\$ 247,380</u>		<u>\$ 2,905,358</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Proprietary Funds

As of and for the year ended June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Sewer Revenue Bond</u>
OPERATING RECEIPTS:			
Charges for services	\$ 223,550	\$ 178,537	\$ 139,344
Miscellaneous	<u>39,159</u>	<u>7,370</u>	<u>-</u>
Total operating receipts	<u>262,709</u>	<u>185,907</u>	<u>139,344</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	280,436	-	-
Sewer	<u>-</u>	<u>196,254</u>	<u>-</u>
Total operating disbursements	<u>280,436</u>	<u>196,254</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(17,727)</u>	<u>(10,347)</u>	<u>139,344</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	424	9,620	-
Debt service	<u>-</u>	<u>-</u>	<u>(139,338)</u>
Total non-operating receipts (disbursements)	<u>424</u>	<u>9,620</u>	<u>(139,338)</u>
Excess (deficiency) of receipts over (under) disbursements	(17,303)	(727)	6
CASH BALANCES, BEGINNING OF YEAR	<u>90,656</u>	<u>37,720</u>	<u>148,218</u>
CASH BALANCES, END OF YEAR	<u>\$ 73,353</u>	<u>\$ 36,993</u>	<u>\$ 148,224</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service	\$ -	\$ -	\$ 148,224
Unreserved	<u>73,353</u>	<u>36,993</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 73,353</u>	<u>\$ 36,993</u>	<u>\$ 148,224</u>

Exhibit C

<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ 50,016	\$ 591,447
<u>-</u>	<u>46,529</u>
<u>50,016</u>	<u>637,976</u>
-	280,436
<u>32,031</u>	<u>228,285</u>
<u>32,031</u>	<u>508,721</u>
<u>17,987</u>	<u>129,257</u>
-	10,044
<u>-</u>	<u>(139,338)</u>
<u>-</u>	<u>(129,294)</u>
17,987	(37)
<u>124,148</u>	<u>400,742</u>
<u>\$ 142,135</u>	<u>\$ 400,705</u>
\$ 142,135	\$ 290,359
<u>-</u>	<u>110,346</u>
<u>\$ 142,135</u>	<u>\$ 400,705</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF TAMA

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Tama, a political subdivision of the State of Iowa, is located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its customers.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a fiduciary fund type.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following Boards and Commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF TAMA

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Revenue Bond fund is utilized to account for charges collected and transferred to the Debt Service Fund for the payment of interest and principal.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash and Investments

The City's deposits at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF TAMA

Notes to Financial Statements

June 30, 2004

(2) Cash and Investments (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investment is categorized to give an indication of the level of risk assumed by the City at year end. The City's investment falls under Category 1 which means that the investment is insured or registered or the security is held by the City or its agent in the City's name.

The City's investment at June 30, 2004 is as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
United States Savings Bonds Series H	\$ 37,000	\$ 37,000

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, sewer revenue bonds, and state revolving fund loan notes are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>State Revolving Fund Loan Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 120,000	\$ 14,485	\$ 96,000	\$ 51,042	\$ 216,000	\$ 65,527
2006	130,000	7,545	100,000	46,846	230,000	54,391
2007	-	-	104,000	42,476	104,000	42,476
2008	-	-	109,000	37,932	109,000	37,932
2009	-	-	113,000	33,168	113,000	33,168
2010	-	-	118,000	28,230	118,000	28,230
2011	-	-	124,000	23,074	124,000	23,074
2012	-	-	129,000	17,654	129,000	17,654
2013	-	-	135,000	12,018	135,000	12,018
2014	-	-	140,000	6,118	140,000	6,118
Total	<u>\$ 250,000</u>	<u>\$ 22,030</u>	<u>\$ 1,168,000</u>	<u>\$ 298,558</u>	<u>\$ 1,418,000</u>	<u>\$ 320,588</u>

CITY OF TAMA
Notes to Financial Statements
June 30, 2004

(3) Bonds and Notes Payable (continued)

The sewer bond resolution provides that the revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on the succeeding December 1, be deposited in the Enterprise Fund – Sewer Revenue Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of \$60,000 to be deposited from cash on hand. As of June 30, 2004, the City was in compliance with the deposit requirements of the resolution.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$30,332, \$30,256, and \$26,977, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

CITY OF TAMA
Notes to Financial Statements
June 30, 2004

(5) Compensated Absences

City employees accumulate vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City was liable for \$12,964 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2004.

(6) Commitments

The City has entered into a management service contract with U.S. Filter for management of the water and sewer plants at a cost of \$326,063 per year, subject to review annually. The City or U.S. Filter may terminate the agreement with thirty days written notice.

The City has entered into an agreement for street improvements. Estimated costs of the project are \$282,858 of which \$44,691 has not been paid at June 30, 2004.

The City has entered into an agreement for street improvements. Estimated costs of the project are \$119,820 of which \$13,217 has not been paid at June 30, 2004.

The City has entered into an agreement for pool construction. Estimated costs of the project are \$2,011,500 of which \$1,833,475 has not been paid at June 30, 2004.

(7) Landfill Commitment

The City of Tama participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated cost of closure and postclosure care as of June 30, 1998, the most recent date for which such information is available, is approximately \$1,047,325. The City of Tama will share in these costs on a per capita basis with the other organizations in the 28E organization. The City's share of these estimated costs is \$168,341.

CITY OF TAMA
Notes to Financial Statements
June 30, 2004

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Employee benefit	\$ 134,643
	Capital projects	59,175
	Perpetual care	1,688
		<u>195,506</u>
Capital projects	Trust and agency	50,000
	Capital projects – pack	578,855
		<u>628,855</u>
Capital projects – new pool	Capital projects – pack	<u>33,000</u>
		<u>\$ 857,361</u>

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 300 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

CITY OF TAMA
Notes to Financial Statements
June 30, 2004

(9) Risk Management (continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$12,095.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with Nationwide Insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF TAMA
Notes to Financial Statements
June 30, 2004

(10) Accounting Change

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the city's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF TAMA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
RECEIPTS:		
Property tax	\$ 669,969	\$ -
Tax increment financing collections	14,471	-
Other city tax	133,376	-
Licenses and permits	19,788	-
Use of money and property	106,243	10,044
Intergovernmental	271,417	-
Charges for services	184,486	591,447
Special assessments	-	-
Miscellaneous	<u>229,661</u>	<u>46,529</u>
Total receipts	<u>1,629,411</u>	<u>648,020</u>
DISBURSEMENTS:		
Public safety	501,974	-
Public works	530,715	-
Health and social services	4,814	-
Culture and recreation	176,179	-
Community and economic development	22,028	-
General government	124,930	-
Debt service	178,885	-
Capital projects	798,672	-
Business type activities	<u>-</u>	<u>648,057</u>
Total disbursements	<u>2,338,197</u>	<u>648,057</u>
Excess (deficiency) of receipts over (under) disbursements	(708,786)	(37)
OTHER FINANCING SOURCES, NET	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(708,786)	(37)
BALANCE, BEGINNING OF YEAR	<u>3,614,144</u>	<u>400,742</u>
BALANCE, END OF YEAR	<u>\$ 2,905,358</u>	<u>\$ 400,705</u>

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		<u>Original</u>	<u>Final</u>	
\$ -	\$ 669,969	\$ 659,529	\$ 659,529	\$ 10,440
-	14,471	14,314	14,314	157
-	133,376	33,052	139,052	(5,676)
-	19,788	14,035	14,035	5,753
6	116,281	106,217	106,372	9,909
-	271,417	372,439	393,959	(122,542)
-	775,933	787,346	789,346	(13,413)
-	-	-	19,860	(19,860)
<u>2,224</u>	<u>273,966</u>	<u>42,760</u>	<u>45,260</u>	<u>228,706</u>
<u>2,230</u>	<u>2,275,201</u>	<u>2,029,692</u>	<u>2,181,727</u>	<u>93,474</u>
-	501,974	547,911	515,711	13,737
-	530,715	519,985	619,085	88,370
-	4,814	5,615	5,615	801
-	176,179	160,551	195,551	19,372
-	22,028	25,000	32,297	10,269
14	124,916	128,452	128,452	3,536
-	178,885	179,185	179,185	300
-	798,672	165,000	905,367	106,695
-	<u>648,057</u>	<u>677,036</u>	<u>677,036</u>	<u>28,979</u>
<u>14</u>	<u>2,986,240</u>	<u>2,408,735</u>	<u>3,258,299</u>	<u>272,059</u>
2,216	(711,039)	(379,043)	(1,076,572)	365,533
<u>(1,688)</u>	<u>1,688</u>	<u>10,000</u>	<u>67,000</u>	<u>(65,312)</u>
528	(709,351)	369,043	(1,009,572)	300,221
<u>51,647</u>	<u>3,963,239</u>	<u>3,857,557</u>	<u>3,857,557</u>	<u>105,682</u>
<u>\$ 52,175</u>	<u>\$ 3,253,888</u>	<u>\$ 3,488,514</u>	<u>\$ 2,847,985</u>	<u>\$ 405,903</u>

See accompanying independent auditor's report.

CITY OF TAMA
Notes to Required Supplementary Information -
Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similarly statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$849,564. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue			
	<u>Trust & Agency</u>	<u>Civic Center</u>	<u>Tax Increment Financing</u>	<u>Employee Benefit</u>
RECEIPTS:				
Property tax	\$ -	\$ -	\$ -	\$ 123,298
Other city tax	-	-	-	4,966
Use of money and property	1,351	9	-	118
Miscellaneous	<u>28,867</u>	<u>870</u>	<u>-</u>	<u>-</u>
Total receipts	<u>30,218</u>	<u>879</u>	<u>-</u>	<u>128,382</u>
DISBURSEMENTS:				
Operating:				
Public safety	12,854	-	-	-
Culture and recreation	14,825	-	-	-
General government	533	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>28,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,006</u>	<u>879</u>	<u>-</u>	<u>128,382</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(134,643)</u>
Net other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(134,643)</u>
NET CHANGE IN CASH BALANCE	<u>(47,994)</u>	<u>879</u>	<u>-</u>	<u>(6,261)</u>
CASH BALANCES, BEGINNING OF YEAR	<u>125,188</u>	<u>2,090</u>	<u>13</u>	<u>7,488</u>
CASH BALANCES, END OF YEAR	<u>\$ 77,194</u>	<u>\$ 2,969</u>	<u>\$ 13</u>	<u>\$ 1,227</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	\$ 77,194	\$ 2,969	\$ 13	\$ 1,227
Capital project funds	-	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 77,194</u>	<u>\$ 2,969</u>	<u>\$ 13</u>	<u>\$ 1,227</u>

Schedule 1

Capital Projects			
<u>Community Development</u>	<u>New Pool</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 123,298
-	106,531	-	111,497
1,001	-	6	2,485
<u>75,779</u>	<u>53</u>	<u>2,224</u>	<u>107,793</u>
<u>76,780</u>	<u>106,584</u>	<u>2,230</u>	<u>345,073</u>
-	-	-	12,854
-	-	-	14,825
-	-	14	547
<u>-</u>	<u>139,510</u>	<u>-</u>	<u>139,510</u>
<u>-</u>	<u>139,510</u>	<u>14</u>	<u>167,736</u>
<u>76,780</u>	<u>(32,926)</u>	<u>2,216</u>	<u>177,337</u>
-	33,000	-	33,000
<u>-</u>	<u>-</u>	<u>(1,688)</u>	<u>(186,331)</u>
<u>-</u>	<u>33,000</u>	<u>(1,688)</u>	<u>(153,331)</u>
76,780	74	528	24,006
<u>36,948</u>	<u>-</u>	<u>51,647</u>	<u>223,374</u>
<u>\$ 113,728</u>	<u>\$ 74</u>	<u>\$ 52,175</u>	<u>\$ 247,380</u>
\$ -	\$ -	\$ -	\$ 81,403
113,728	74	-	113,802
<u>-</u>	<u>-</u>	<u>52,175</u>	<u>52,175</u>
<u>\$ 113,728</u>	<u>\$ 74</u>	<u>\$ 52,175</u>	<u>\$ 247,380</u>

See accompanying independent auditor's report.

CITY OF TAMA

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the year ended June 30, 2004

	<u>Sewer Rehabilitation</u>	<u>Sewer Replacement</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Charges for services	\$ 25,008	\$ 25,008	\$ 50,016
OPERATING DISBURSEMENTS:			
Business type activities:			
Sewer	14,869	17,161	32,030
Excess (deficiency) of operating receipts over (under) operating disbursements	10,139	7,847	17,986
CASH BALANCE, BEGINNING	31,566	92,582	124,148
CASH BALANCE, ENDING	\$ 41,705	\$ 100,429	\$ 142,134
Cash Basis Fund balance:			
Unreserved	41,705	100,429	142,134
Total cash basis fund balance	\$ 41,705	\$ 100,429	\$ 142,134

See accompanying independent auditor's report.

CITY OF TAMA
Schedule of Indebtedness
Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Flood control project	Mar. 1, 1991	6.65-6.75%	\$ 575,000
Flood protection	Mar. 1, 1993	4.60-4.70%	515,000
Waste water	Apr. 1, 1994	4.95%	300,000
Total			
State Revolving Fund Notes:			
Loan notes	Oct. 1, 1993	4.37%	\$ 1,828,000

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 195,000	\$ -	\$ 60,000	\$ 135,000	\$ 13,070	\$ -
170,000	-	55,000	115,000	7,935	-
<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>1,980</u>	<u>-</u>
<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 250,000</u>	<u>\$ 22,985</u>	<u>\$ -</u>
<u>\$ 1,252,000</u>	<u>\$ -</u>	<u>\$ 84,000</u>	<u>\$ 1,168,000</u>	<u>\$ 54,712</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF TAMA

Bond and Note Maturities

June 30, 2004

Year Ending June 30,	General Obligation Bonds				
	Flood Control Issued March 1, 1991		Flood Protection Issued March 1, 1993		Total
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2005	6.70 %	\$ 65,000	4.70%	\$ 55,000	\$ 120,000
2006	6.75	70,000	4.70	60,000	130,000
2007		-		-	-
2008		-		-	-
2009		-		-	-
2010		-		-	-
2011		-		-	-
2012		-		-	-
2013		-		-	-
2014		-		-	-
Total		<u>\$ 135,000</u>		<u>\$ 115,000</u>	<u>\$ 250,000</u>

State Revolving Fund Notes**Loan Notes****Issued Oct. 1, 1993****Interest**

<u>Rates</u>	<u>Amount</u>
4.37 % \$	96,000
4.37	100,000
4.37	104,000
4.37	109,000
4.37	113,000
4.37	118,000
4.37	124,000
4.37	129,000
4.37	135,000
4.37	<u>140,000</u>
	<u>\$ 1,168,000</u>

See accompanying independent auditor's report.

CITY OF TAMA

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
RECEIPTS:		
Property tax	\$ 669,969	\$ 705,032
Tax increment financing collections	14,471	5,809
Other city tax	133,376	33,298
Licenses and permits	19,788	22,477
Use of money and property	106,243	72,016
Intergovernmental	271,417	804,352
Charges for service	184,486	183,942
Special assessments	-	-
Miscellaneous	<u>229,661</u>	<u>74,559</u>
Total	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 501,974	\$ 449,528
Public works	530,715	386,698
Health and social services	4,814	3,011
Culture and recreation	176,179	140,647
Community and economic development	22,028	-
General government	124,930	118,362
Debt service	178,885	176,842
Capital projects	<u>798,672</u>	<u>563,366</u>
Total	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

See accompanying independent auditor's report.

CITY OF TAMA

Schedule of Sewer Service Charges

Year ended June 30, 2004

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Amonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$7.00	\$7.00
Volume charge:	\$4.27/1,000 gallons	\$4.27/1,000 gallons
Surcharge for concentration Levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

*Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA
Schedule of Insurance in Force
Year ended June 30, 2004

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Nationwide Mutual Insurance Company	ACP WC 7130261971	Workers' Compensation Employer's Liability
Nationwide Mutual Insurance Company	ACP 7130261971	Commercial property Auto Commercial Inland Marine and scheduled property Fidelity bond
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability

Schedule 7

<u>Policy period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/03 to 1/4/04	Workers' Compensation All Employees	Statutory \$100,000/Accident \$100,000/Employee \$500,000/Policy Limit
4/1/03 to 4/1/04 4/1/03 to 4/1/04	Property Damage Auto Liability	90% of value \$1,000,000 Liability
4/1/03 to 4/1/04 1/1/03 to 1/1/04	Non Real Estate Property Employee Performance	Replacement Value \$50,000
4/1/03 to 4/1/04	General Liability Officials Liability Law Enforcement Liability	\$2,000,000 \$2,000,000 \$2,000,000

See accompanying independent auditor's report.

CITY OF TAMA
Schedule of Legal Debt Margin
June 30, 2004

Valuation of City as of January 1, 2001	\$ 74,267,873
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	3,713,394
General obligation indebtedness outstanding as of June 30, 2004	<u>250,000</u>
Legal Debt Margin	<u><u>\$ 3,463,394</u></u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council
Tama, Iowa

We have audited the financial statements of the City of Tama as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The findings involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory findings have all been resolved except for item III-J-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Tama's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the absence of adequate segregation of duties, described at item II-A-04, is a material weakness.

This report, a public record by law, is intended solely for the information and use of the City of Tama, its officials, employees and citizens and other parties to whom the City of Tama may report. This report is not intended to be and should not be used by anyone other than these specified users.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tama during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 19, 2004

CITY OF TAMA
Schedule of Findings
Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements and was considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of duties

Comment - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the City Clerk is responsible for receiving and recording cash receipts, making bank deposits, preparing bank reconciliations, making investment transactions, and initiating various non-cash entries to the accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will review their present internal control procedures and will consider additional review procedures where practical.

Conclusion – Response accepted.

Prior year reportable conditions have been resolved except for the reportable condition described above.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2004

Part III: Findings Related to Statutory Reporting

- III-A-04 Official Depositories - A resolution naming the official depository bank has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- III-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- III-C-04 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-04 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-E-04 Business Transactions - There were no business transactions between the City and City officials.
- III-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The minutes were not all signed on a timely basis.
- III-H-04 Revenue Bonds - The sewer revenue bond resolution provides that revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on succeeding December 1, be deposited in the Enterprise Fund – Sewer Rental Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of \$60,000 to be deposited from cash on hand. As of June 30, 2004, the City was in compliance with the deposit requirements of the resolution.
- III-I-04 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2004

Part III: Findings Related to Statutory Reporting (continued)

III-J-04 Compliance with Loan and Grant Agreements - During the year ended June 30, 2004, the City had a loan balance through the state revolving fund. The loan agreement contained certain provisions with which the City must comply. It appears the City has complied with all provisions, except the following:

Comment - The City has not provided a balance sheet in its financial statements and has not prepared the financial statements using the accrual method of accounting as of June 30, 2004.

Recommendation - The City should either comply with the provisions to provide a balance sheet in its financial statements and also prepare its financial statements on the accrual basis of accounting or obtain a waiver from complying with these provisions.

Response - The City will try to obtain a waiver from these provisions.

Conclusion - Response accepted.

CITY OF TAMA

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Jared Kremer, CPA, Manager

Jim Fitzpatrick, CPA, Associate